

Academic Council 24 /06/2016

Item No. 4.17

UNIVERSITY OF MUMBAI



Syllabus for First Year  
B.Com(Semester I and Semester  
II)

Programme

Business Economics Paper I & II

with effect from the academic year

2016 – 2017



# First Year B.Com Semester I

## Business Economics Paper I

### Preamble

This paper provides an overall introduction to economics as dealing with the problems of allocation of scarce resources in optimum manner. It aims to build a familiarity with the basic tools of consumer and producer theory, the operation of markets and optimisation in an economic context. In order to explain economic issues and solutions in a practical manner, the concepts are to be discussed with case studies and numerical problems wherever applicable.

Unit I: Introduction (10 lectures)

Scopes and Importance of Business Economics

Incremental and Marginal Concepts. Basic economic relations - functional relations: equations- Total, Average and Marginal relations- Use of Marginal analysis in decision making.

The basics of market demand, market supply and equilibrium price- shifts in the demand and supply curves and equilibrium

Unit II: Demand Analysis (15 lectures)

Demand Function - nature of demand curve under different markets

Meaning, significance, types and measurement of elasticity of demand (Price, income cross and promotional) - relationship between price elasticity of demand and revenue concepts

Demand Estimation and forecasting: Meaning and significance - methods of demand estimation- survey and statistical methods (numerical examples on trend analysis and simple linear regression)

Unit III: Supply and Production Decisions: (10 lectures)

Production analysis with Law of Variable Proportions- Production

function with two variable inputs- isoquants, ridge lines and least cost combination of inputs- Long run production function and Laws of Returns to Scale - expansion path - Economies and diseconomies of Scale and economies of scope

(10 Lectures) Cost of Production:

Cost concepts: cost and economic cost, implicit and explicit cost, social and private cost, historical cost and replacement cost, sunk cost and incremental cost -fixed and variable cost - total, average and marginal cost - Cost Output Relationship in the Short Run and Long Run- (hypothetical numerical problems to be discussed)

Extension of cost analysis: Cost reduction through experience- LAC and Learning curve and Break Even Analysis (with business application)

References:

- 1) Mehta, P.L.: *Managerial Economics – Analysis, Problem and Cases* (S. Chand & Sons, New Delhi, 2000)
- 2) Hirschey, M. *Managerial Economics*, Thomson South western (2003)
- 3) Salvatore, D. *Managerial Economics in a global economy* (Thomson South Western Singapore, 2001)
- 4) Frank R.H, Bernanke, B.S., *Principles of Economics* (Tata McGraw Hill (ed.3)
- 5) Gregory Mankiw., *Principles of Economics*, Thomson South western (2002)



- 6) Samuelson & Nordhas.: Economics (Tata McGraw Hills, New Delhi, 2002)  
7) Pal Sumitra, Managerial Economics cases and concepts (Macmillan, New Delhi, 2004)

F.Y B.Com Semester II  
Business Economics Paper II

Unit I: Market Structure: Perfect Competition and Monopoly (10 lectures)

Perfect competition and Monopoly: Profit maximization and the competitive firm's supply curve - Short run and long run equilibrium of a firm and of industry - Monopoly - Sources of monopoly power – short run and long run equilibrium of a firm under Monopoly

Unit II: Pricing and Output Decisions under Imperfect Competition (15 lectures)

Monopolistic and Oligopolistic elements of monopolistic competition- equilibrium of firm under monopolistic competitions, monopolistic versus perfect competition, excess capacity and inefficiency, debate over role of advertising, (topics to be taught using case studies from real life examples)  
Oligopolistic Market: Key attributes of oligopoly- Collusive and non-collusive oligopoly market, Price rigidity, Cartels and price leadership models (with practical examples)

Unit III: Pricing practices (10 lectures)  
Cost oriented pricing methods: cost-plus (full cost) mark-up pricing, marginal cost pricing, Mark up pricing, discriminating pricing, multiple-product pricing - transfer pricing (case studies on how pricing methods are used in business world)

Unit IV: Evaluating capital projects (10 lectures)  
Meaning and importance of capital budgeting- steps in capital budgeting- Techniques of Investment appraisal: payback period method, net present value method, and internal rate of return method (with numerical examples) References:

- 1) Mehta, P.L.: Managerial Economics – Analysis, Problem and Cases (S. Chand & Sons, N. Delhi, 2000)
- 2) Hirchey .M., Managerial Economics, Thomson South western (2003)
- 3) Salvatore, D.: Managerial Economics in a global economy (Thomson South Western Singapore, 2001)
- 4) Frank Robert.H, Bernanke. Ben S., Principles of Economics (Tata McGraw Hill (ed.3)
- 5) Gregory Mankiw., Principles of Economics, Thomson South western (2002 reprint)
- 6) Samuelson & Nordhas.: Economics (Tata McGraw Hills, New Delhi, 2002)
- 7) Pal Sumitra, Managerial Economics cases and concepts (Macmillan, New Delhi, 2004)



**Question Paper Pattern**  
(Business Economics Paper I & II)

Maximum Marks: 100  
Questions to be set: 06  
Duration: 03Hrs.  
Question

No	Particular	Marks
Q-1	Objective Questions A) Sub Questions to be asked 07 and to be answered any 05 B) Sub Questions to be asked 12 and to be answered any 10 (*Multiple choice / True or False / Match the columns/Fill in the blanks) Full Length Question OR Full Length	20
Q-2	Question	15
Q-2	Full Length Question OR	
Q-3	Full Length Question	15
Q-3	Full Length Question OR	
Q-4	Full Length Question	15
Q-4	Full Length Question OR	
Q-5	Full Length Question	15
Q-5	Short Notes To be asked 06	
Q-6	To be answered 04	20

Note- Theory questions of 15 marks may be divided into two sub questions of 7/8 and 10/5.

